

40-7580

File a Motion:02-10109-JJF Fansteel Inc. and Richard Gladstein Nuclear Regulatory Commission**Notice of Electronic Filing**

The following transaction was received from Weaver, John R. entered on 10/4/2002 at 2:41 PM EDT and filed on 10/4/2002

Case Name: Fansteel Inc. and Richard Gladstein Nuclear Regulatory Commission

Case Number: 02-10109-JJF

Document Number: 495

Docket Text:

Motion for Relief from Stay or, Alternatively, for Adequate Protection. Receipt Number CC, Fee Amount \$75. Filed by CitiCapital Commerical Corporation. Objections due by 10/25/2002. (Attachments: # (1) Notice of Motion# (2) Proposed Form of Order) (Weaver, John)

The following document(s) are associated with this transaction:

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[STAMP bkecfStamp_ID=983460418 [Date=10/4/2002] [FileNumber=989841-0]
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Document description: Notice of Motion

Original filename: N:/SCANS/FANSTEEL_NOM.PDF

Electronic document Stamp:

[STAMP bkecfStamp_ID=983460418 [Date=10/4/2002] [FileNumber=989841-1]
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Document description: Proposed Form of Order

Original filename: N:/SCANS/FANSTEEL_ORD.PDF

Electronic document Stamp:

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2d2711b4d35f5d96048e795ea832a7fd7ee789a227ba4875536bcbb7ba3]]

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Hearing Date: TBD if necessary
Objection Deadline: 10/25/02 @ 4:00 p.m.

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In Re: :
FANSTEEL, INC., et al. : CHAPTER 11
Debtors : Case No. 02-10109 (JJF)
: Jointly Administered

**MOTION FOR RELIEF FROM AUTOMATIC STAY
OR, ALTERNATIVELY, FOR ADEQUATE PROTECTION**

NOW COMES CitiCapital Commercial Corporation f/k/a Associates Commercial Corporation, by and through its LCA Division and Citicorp Vendor Finance, Inc. (collectively "CitiCapital"), by its undersigned counsel, who, being duly sworn, moves the court for relief from the automatic stay or, in the alternative, for adequate protection payments. The following facts are offered in support of this motion:

INTRODUCTION

1. Movant, CitiCapital is a corporation organized under the laws of the State of Delaware.
2. On January 15, 2002, ("Petition Date"), voluntary petitions were filed by the above-referenced debtors (collectively "Debtor") under 11 U.S.C. §§101-1330 (as amended, the "Bankruptcy Code"). The cases have been jointly administered.
3. The Debtor is acting in its capacity as debtor-in-possession.

JURISDICTION AND VENUE

4. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§157 and 1334. This is a core proceeding pursuant to 28 U.S.C. §157(b)(2). The statutory predicates

for the relief sought herein is Sections 361 and 362 of the Code and Rule 4001 of the Bankruptcy Rules.

5. Venue is proper in this Court pursuant to 28 U.S.C. §§1432 and/or 1473.

BACKGROUND

6. CitiCapital is the lessor on two (2) Lease Agreements entered into with the Debtor (collectively the "Equipment Leases") for a lift truck, air compressor, air dryer, and ancillary equipment (collectively "Equipment") as more particularly described below:

Exhibit	Date	Equipment	Term	Monthly Rental	Due For
A	1/16/98	(a) Ingersoll-Rand Air Compressor HPE400-2SOne; (b) Ingersoll-Rand Air Dryer TM1900One; (c) Ingersoll-Rand NLM Module NLM-5One; (d) Receiver 2180 Gallon Vert 165 PSIG	60	\$2,991.00 + \$216.85 tax	2/1/02
B	6/29/01	TCM Lift Truck Model FCB15A w/ attachments and accessories #A74R00722	60	\$398.07 + \$23.88 tax	2/1/02
Totals:				\$3,659.71	

7. True and correct copies of the Equipment Leases and related documentation are attached hereto as Exhibits "A" and "B", respectively.
8. Pursuant to the aforementioned Equipment Leases, the Debtor is obligated to, *inter alia*, make monthly lease payments to CitiCapital (collectively, the "Monthly Rental").

9. Pursuant to Uniform Commercial Code 9-505, CitiCapital filed financing statements (UCC-1s) with the appropriate authorities, copies of which are attached to the respective Equipment Leases (Exhibits "A" and "B").
10. The Debtor has no equity in the Equipment.
11. The Equipment is subject to depreciation or loss in value through normal use. It must be regularly maintained to avoid additional loss in value from excessive wear and tear.
15. Moreover, the Equipment is mobile, could be taken or damaged.
12. The value of the Equipment and CitiCapital's interest in it is declining from usage, even if the Equipment is maintained in accordance with the manufacturer's recommendations.
13. Since the Petition date, the Debtor has not returned any portion of the Equipment to CitiCapital, resumed payments or moved to assume or reject any of the Equipment Leases.
14. Upon information and belief, Debtor is using the Equipment to generate income for its benefit and for the benefit of the unsecured creditors and to the detriment of CitiCapital. Debtor, however, has not resumed payments to CitiCapital under the Equipment Leases or otherwise provided or offered to provide CitiCapital with adequate protection of its interest in the Equipment.

RELIEF REQUESTED

16. By this Motion, CitiCapital seeks the entry of an Order, pursuant to §362(d) of the Bankruptcy Code and Rule 4001 of the Federal Rules of Bankruptcy Procedure granting CitiCapital relief from the automatic stay as to the Equipment or,

alternatively, pursuant to §361 of the Bankruptcy Code, requiring Debtor to make periodic cash payments as adequate protection.

BASIS FOR RELIEF

17. CitiCapital is entitled to relief from the automatic stay pursuant to §362(d) of the United States Bankruptcy Code which provides as follows:

On request of a party in interest, and after notice and a hearing, the Court shall grant relief from the Stay provided under Subsection (a) of this section, such as by terminating, annulling, modifying, or conditioning such stay:

- (1) For cause, including the lack of adequate protection of an interest in property of such party in interest; or
- (2) With respect to a stay of an act against property, if –
 - (A) the debtor does not have any equity in such property; and
 - (B) such property is not necessary to an effective reorganization.

18. Section 362(d) of the Bankruptcy Code is written in the disjunctive and authorizes relief from stay if the creditor can either show cause, including the lack of adequate protection, or establish that the debtor has no equity in the property and that the property is not necessary to an effective reorganization. *Nazareth National Bank v. Trina-Dee, Inc.*, 731 F.2d 170, 171 (3rd Cir.1984). Cause must be determined on a case-by-case basis. *Baldino v. Wilson*, 116 F.3d. 87, 90 (3rd. Cir.1997); *In re Rexene Prod Co.*, 141 B.R. 574, 576 (Bankr.D.Del.1992).
19. There is no equity in the Equipment described above in excess of the lien of CitiCapital.
20. Cause exists to grant CitiCapital relief from the automatic stay since CitiCapital is not being adequately protected and the Debtor has no equity in the Equipment.

21. A modification of stay is mandated if the Debtor fails to demonstrate that an effective reorganization is in prospect. *See, e.g., In re Swedeland Development Group, Inc.*, 16 F.3d 552 (3rd Cir.1994) *en banc*.
22. CitiCapital submits that it has met the burden of proof required by 11 U.S.C. §362(g)(1) and that it should be granted relief from the Automatic Stay.
23. Should the Court not grant CitiCapital's request for relief from the automatic stay, the Court should direct Debtor to pay adequate protection.
24. Section 363(e) of the Bankruptcy Code provides in pertinent part:

Notwithstanding any other provision of this section, at any time on request of any entity that has an interest in property used, sold, or leased . . . the Court . . . shall prohibit or condition such use, sale, or lease as is necessary to provide adequate protection of such interest.
25. The use by Debtor of the Equipment mandates adequate protection. “[T]he requirement of adequate protection in Section 363(e) is mandatory. If adequate protection cannot be offered, such use, sale or lease of the collateral must be prohibited.” Lawrence P. King, *Collier on Bankruptcy* §363.05.
26. Adequate protection is necessary to preserve the value of CitiCapital's interest in the Equipment as it existed on the Petition Date and throughout the pendency of the Chapter 11 case. *See, e.g., In re Melson*, 44 B.R. 454, 455 (Bankr.D.Del.1984)
27. The Equipment is depreciating in value. Thus, CitiCapital requests that, as adequate protection for the use by Debtor of the Equipment and the declining value of same, the Debtor be required to pay the current arrears on the agreements and to continue payment of same, pending further order of this Court.

NOTICE OF APPLICATION

28. Notice of this Motion has been given to the Debtor, the Official Committee of Unsecured Creditors, the Office of the United States Trustee and those persons requesting notice under Rule 2002.
29. No previous motion for the relief requested herein has been filed in this or any other court.
30. Because of the nature of the relief requested in this Motion, CitiCapital believes that no briefing is required. Accordingly, pursuant to Rule 7.1.2(a) of the Local Rules, incorporated by reference into the Local Bankruptcy Rules by General Order #9D, CitiCapital waives its right to file a brief in support of the Motion.

WHEREFORE, CitiCapital Commercial Corporation f/k/a Associates Commercial Corporation, by and through its LCA Division and Citicorp Vendor Finance, Inc. respectfully requests the entry of an order, substantially in the form attached hereto as Exhibit "C," granting the relief requested in the Motion and granting CitiCapital such other and further relief as is just and proper.

[THIS SPACE INTENTIONALLY LEFT BLANK]

Dated: Wilmington, Delaware
October 4, 2002

FARR, BURKE, GAMBACORTA & WRIGHT
A Professional Corporation

By: /s/ John R. Weaver, Jr.

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Attorneys for CitiCapital Commercial Corporation
f/k/a Associates Commercial Corporation, by and
through its LCA Division and
CitiCorp Vendor Finance, Inc.

MAY-04-1998 11:38 FROM LCA LOS ANGELES

TO

918476890397

P.02



MASTER LEASE AGREEMENT

THIS LEASE AGREEMENT is entered into by and between ASSOCIATES LEASING, INC ("Lessor") and the undersigned Lessee ("Lessee")

Article 1 - Definitions

As used herein, the terms "Basic Rent Date", "Casualty Value", "Expiration Date" and "Installation Location" shall, with respect to each item of equipment that is leased pursuant hereto, have the meanings set forth in the Equipment Schedule (as herein defined) covering such item of equipment.

Article 2 - Lease and Rental

2.1 Lease of Equipment. Subject to the terms and conditions contained herein, Lessor hereby agrees to purchase and lease to Lessee, and Lessee hereby agrees to lease from Lessor, each item of equipment (herein with all present and future attachments, accessories, replacement parts, add-ons and repairs and all proceeds thereof, collectively called the "Equipment" and individually an "Item of Equipment") which is from time to time delivered to and accepted by Lessee under and pursuant to the terms of this Lease and the Equipment Schedule and Certificate of Acceptance (as herein defined) applicable thereto. Upon such delivery, Lessee will inspect such Item of Equipment and if such Item of Equipment is found to be in good order and condition and conforms to all specifications and requirements of Lessee, accept delivery of such Item of Equipment and execute and deliver to Lessor a certificate of acceptance in form and substance satisfactory to Lessor ("Certificate of Acceptance") with respect thereto, whereupon such Item of Equipment shall be deemed to have been delivered to and accepted by Lessee under this Lease and shall be subject thereafter to all the terms and conditions of this Lease, and such Certificate of Acceptance shall be absolutely binding upon Lessee.

"Equipment Schedule" shall mean any of the Equipment Schedules, in form and substance satisfactory to Lessor, entered into between Lessor and Lessee pursuant to the Section 2.1, as the same may from time to time be supplemented or amended. Each Equipment Schedule shall contain the commitment of Lessor to lease each of the items of Equipment therein described and the commitment of Lessee to lease the same upon the terms and conditions therein and herein set forth. "Delivery Date" shall mean, for an item of Equipment, the date of the Certificate of Acceptance covering such item of Equipment, which date shall be the date such item of Equipment is delivered to and accepted by Lessee pursuant to the provisions of this Section 2.1.

Lessee may, from time to time, request Lessor to lease items of Equipment to Lessee by presenting a lease application in form and substance satisfactory to Lessor ("Lease Application") and an Equipment Schedule specifying the items of Equipment desired, the requested term of lease and such other information as Lessor may require. If Lessee has placed its purchase order for the Equipment with the seller thereof, Lessee shall present to Lessor, simultaneously with the Lease Application, a purchase order assignment in form and substance satisfactory to Lessor. If Lessee has not ordered the Equipment, then following the receipt and approval of such Lease Application by Lessor, Lessor shall order such items of Equipment for lease hereunder.

Each Equipment Schedule shall be considered a separate and enforceable lease incorporating the terms and conditions of the Master Lease Agreement. An executed counterpart of this Master Lease Agreement (including any supplements, addenda or riders hereto) or mechanically reproduced copy hereof, together with an executed Equipment Schedule, marked "Original", shall be the original of the lease for the Equipment described on such Equipment Schedule and together they shall constitute and shall be referred to herein as "the Lease" or "this Lease" with respect to such Equipment. To the extent that this Lease constitutes chattel paper, as such term is defined in the Uniform Commercial Code of the applicable jurisdiction, no security interest in this Lease may be created or perfected through the transfer of possession of any counterpart other than the Original of an Equipment Schedule. Lessor shall and does hereby retain full legal title to, and property in, the Equipment, it being expressly understood that this Lease is an agreement of leases only.

2.2 Term of Lease. The term of this Lease for each item of Equipment ("Term") shall commence on the Delivery Date for such item of equipment and shall expire on the Expiration Date applicable to such item of Equipment ("Original Term"), unless earlier terminated in accordance with the provisions hereof, or if Lessee elects a renewal option with respect to such Equipment (the term of which is hereinafter called the "Renewed Term"). The last date of the final Renewal Term elected by Lessee with respect to such item of Equipment. The obligations of Lessee under Articles 3 and 4 hereof shall survive the expiration and termination of this Lease.

2.3 Rent Payments

- (a) Lessee agrees to pay Lessor the following rents (collectively called "Rent") for the Equipment:
 - b) Basic Rent. Lessee agrees to pay Lessor Basic Rent for the Original Term for each item of Equipment in the number of installments, in the amounts and in accordance with the payment schedule set forth in the Equipment Schedule covering such item of Equipment;
 - (ii) Supplemental Rent. Lessee also agrees to pay to Lessor, or to the party entitled thereto if other than Lessor, all amounts, liabilities and obligations, other than Basic Rent for the Original Term, which Lessee is obligated to pay under or pursuant to this Lease ("Supplemental Rent") including, without limitation, payments of Casualty Value, promptly as the same shall become due and owing;
 - (iii) Overdue Rent. For each installment of Basic Rent or Supplemental Rent not paid when due, Lessee agrees to pay Lessor an additional rental charge ("Overdue Rental Charge") calculated thereon at the rate of 1 1/2% per month for the period the same remains unpaid or, at Lessor's option, 5% of such installment of Basic Rent or Supplemental Rent, provided that such an Overdue Rental Charge is not prohibited by law, otherwise at the highest rate Lessee can legally obligate itself to pay and/or Lessor can legally collect.
- (b) Place of Payment. All payments of Rent shall be made to Lessor at Lessor's place of business set forth herein, or at such other place as Lessor may specify in writing from time to time.
- (c) Net Lease. This Lease is a net lease and Lessee's obligation to pay all Rent and other amounts payable hereunder shall be absolute and unconditional under all circumstances, regardless of any set-off, counterclaim, recoupment, defense or other right which Lessee may have or claim to have against Lessor for any reason, and any interruption in or cessation of Lessee's use or possession of any item of Equipment for any reason whatsoever.

Article 3-Representations and Disclaimers

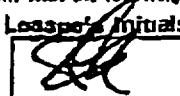
3.1 Representations by Lessee. Lessee represents to Lessor that, at the time of execution of each (a) Equipment Schedule, Lessee shall have (i) determined that all items of Equipment are of a size, design, capacity and manufacture selected by it, and (ii) satisfied itself that all such items of Equipment are suitable for Lessee's purposes, and (iii) Certificate of Acceptance, Lessee shall have inspected each item of Equipment and found the same to be in good order and condition and conforming to all of Lessee's specifications and requirements.

3.2 Certain Lessor Disclaimers. Lessee acknowledges and agrees that Lessor is not a manufacturer or dealer in property of the kind being leased hereunder and that LESSOR LEAVES EACH ITEM OF EQUIPMENT "AS IS" AND "WITH ALL FAULTS", WITHOUT WARRANTY OR REPRESENTATION EITHER EXPRESS OR IMPLIED AS TO (A) THE FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OF SUCH ITEM OF EQUIPMENT OR ITS DESIGN OR CONDITION OR THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, (B) LESSOR'S TITLE THERETO, OR (C) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORN BY LESSEE. LESSOR SHALL NOT BE LIABLE FOR ANY DIRECT, INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES OF ANY CHARACTER AS A RESULT OF THE LEASE OF THE EQUIPMENT, INCLUDING WITHOUT LIMITATION, LOSS OF PROFITS, PROPERTY DAMAGE OR LOSS OF PRODUCTION WHETHER SUFFERED BY LESSEE OR ANY THIRD PARTY. Lessor is not responsible for, and shall not be liable to Lessee for damages relating to, a loss of value of any item of Equipment for any cause (including, without limitation, governmental actions or regulations or actions of other third parties).

Page 1 of 5 of Master Lease Agreement dated 5/16/98 between Fansteel Inc dba * * * (Lessor) and Pansteel California Drop Forge (Lessee)
number 625847 Rev. 12/94
Received Time May 4 2:31PM

EXHIBIT

"A"

Lessee's Initials


MAY-04-1998 11:39 FROM LCA LOS ANGELES

TO 918476898307 P.03

Article 4—Covenants of Lessee

4.1 Use of Equipment. Lessee agrees to use each item of Equipment in the conduct of its business pursuant to the terms of this Lease and in compliance with the requirements of any insurance policy provided under Section 4.11 and the manufacturer's suggested operating standards. Lessee agrees that such item of Equipment shall at all times be and remain in the possession and control of Lessee and shall not be removed from its installation location without Lessor's prior written consent. Each item of Equipment shall at all times be used and operated only by qualified personnel selected, employed and/or controlled by Lessee and in compliance with all applicable governmental laws, rules and regulations.

4.2 Maintenance. Lessee shall, at its own cost and expense, maintain, service and repair each item of Equipment and keep each item of Equipment in as good operating condition and appearance as it was when first delivered, ordinary wear and tear excepted. Lessee shall not, without the prior written consent of Lessor, make any modifications or additions to the Equipment. All parts, replacements and substitutions to or for any item of Equipment shall immediately become part of the Equipment and the property of Lessor.

4.3 Taxes.

(a) **General Tax Indemnity.** Lessee agrees to pay and to indemnify and hold Lessor harmless from and against all sales, use, personal property, leasing, leasing-use, stamp or other taxes, levies, imposts, duties, charges or withholdings of any nature (together with any penalties, fines or interest thereon) now or hereafter imposed against Lessor, Lessee or one or more of the items of Equipment or upon the purchase, ownership, delivery, leasing, possession, use, operation, return or other disposition thereof, or upon the rentals, receipts or earnings arising therefrom, or upon or with respect to the Lease (excluding, however, federal and state taxes on, or measured by, the net income of Lessee). Lessee agrees to file on behalf of Lessor, all required tax returns concerning any item of Equipment with all appropriate governmental agencies and to furnish to Lessor a copy of each such return, including evidence of payment, promptly after the due date of each such filing; provided, that, in the event Lessee is not permitted to file any such return on behalf of Lessor, then Lessee agrees to prepare and forward each such return to Lessor in a timely manner with instructions to Lessor with respect to the filing thereof.

(b) **Payment and Enforceability.** All amounts payable by Lessee pursuant to Section 4.3(a) shall be payable directly to Lessor except to the extent paid to a governmental agency or taxing authority. All the indemnities contained in Section 4.3(a) shall continue in full force and effect notwithstanding the expiration or other termination of this Lease in whole or in part and are expressly made for the benefit of, and shall be an enforceable by, Lessor. Lessee's obligations under Section 4.3(a) shall be that of primary obligor irrespective of whether Lessor shall also be indemnified with respect to the same matter under some other agreement by another party.

(c) **Duration.** The obligations of Lessee under this Section 4.3 are expressly made for the benefit of, and shall be enforceable by, Lessor without necessity of declaring this Lease in default and Lessor may initially proceed directly against Lessee under this Section 4.3 without first resorting to any other rights of indemnification it may have. In the event that, during the continuance of this Lease, an event occurs which gives rise to a liability pursuant to the Section 4.3, such liability shall continue, notwithstanding the expiration or termination of the Lease, until all payments or reimbursements with respect to such liability are made.

4.4 Risk of Loss. Lessee shall bear all risk of loss of, damage to, or destruction of each item of Equipment to be left to Lessee pursuant to this Lease from and after the earlier of (a) the time such risk ceases to be borne by the owner of such item of equipment or (b) the commencement of the Term of this Lease for such item of Equipment until Lessor takes possession thereof after the expiration or earlier termination of this Lease. In the event any item of Equipment is lost, stolen, destroyed or damaged beyond repair, Lessee shall promptly notify Lessor of such event and promptly pay to Lessor the Casualty Value with respect to such item of Equipment (computed as of the Basic Rent Date on or next following the occurrence of such event). Any amounts actually received by Lessor from insurance or otherwise on Lessee's behalf for such loss or damage shall be applied to reduce Lessee's obligations under this Section 4.4. The total or partial destruction of an item of Equipment, or the total or partial loss of use of or possession thereof to Lessee, shall not release or relieve Lessee from its obligations and liabilities under this Lease with respect thereto, including, without limitation, the obligation to pay Rent.

4.5 Indemnity Against Tax Indemnity. Lessee agrees that Lessor shall have no responsibility or liability to Lessee, its successors and assigns, or any other party with respect to any Liabilities (as defined below), and Lessee hereby assumes liability for, and hereby agrees to indemnify, protect, defend, save and keep Lessor harmless from and against any and all Liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including, without limitation, reasonable legal fees and expenses, of whatsoever kind and nature (collectively called "Liabilities") which may be incurred by or imposed on Lessor or an item of Equipment during the Term of this Lease in any way relating to or arising out of, or alleged to in any way relate to or arise out of the manufacture, purchase, acquisition, ownership, acceptance, rejection, delivery, nondelivery, possession, use, operation, leasing, subleasing, replacement, condition, maintenance, repair, sale, return or other application or disposition of any item of Equipment, including without limitation, any Liabilities arising as a result of latent, patent or other defects, whether or not discoverable by Lessee, any tort claim (including strict liability in tort and whether for active or passive negligence), or claim for damages. Lessee agrees to give Lessor and Lessor agrees to give Lessee prompt written notice of any claim of liability hereby indemnified against. Upon receipt of such notice by Lessee, Lessee at its own expense shall assume full responsibility for the defense and/or settlement of any such liability, and Lessor shall cooperate with Lessee by providing, at the expense of Lessee, such witnesses, documents and other assistance as Lessee may reasonably request. The obligations of Lessee under this Section 4.5 shall survive the expiration or earlier termination of this Lease as to any item of Equipment.

4.6 Possession/Assignment. Lessee agrees that it shall not (a) sublease, hire out, or otherwise transfer or part with the possession, control or custody of any item of Equipment, except that Lessee may rent the Equipment in the ordinary course of its business to its customers on such terms as are normal in the industry, provided no option to purchase the Equipment is granted to such customer, and provided further, Lessee assigns and Lessee does hereby assign all such leases and rental agreements and all rental payments and other amounts due or to become due thereunder and all other cash and non-cash proceeds thereof to Lessor to further secure payment of all indebtedness set forth in this Lease, (b) assign this Lease or its interest hereunder, or (c) create, incur, assume or allow to exist any liens on or with respect to the Equipment, Lessor's title thereto or any interest therein (and Lessee will promptly, at its own expense, take such action as may be necessary to discharge any such lien).

4.7 Transportation/Freight. All transportation, freight and other charges payable for delivery of the Equipment to and from the installation location or any other location, and all installation, connection, disconnection and packing charges, shall be paid by Lessee.

4.8 Equipment to be Personal Property. Lessee agrees that the Equipment shall be and remain personal property notwithstanding the manner in which the same may be attached or affixed to reality, and Lessee shall do all acts and enter into all agreements necessary to insure that the Equipment remains personal property.

4.9 Marking. Lessee agrees, upon request of Lessor, to cause each item of Equipment to be plainly and permanently marked with a legend designated by Lessor evidencing Lessor's ownership of such item of Equipment.

4.10 Return of Equipment. Upon the expiration or earlier termination of this Lease with respect to any item of Equipment, Lessee shall, at its own cost and expense, promptly assemble, crate and return such item of Equipment to Lessor in the same condition as when received, request, store such item of Equipment at its then location on Lessee's premises at the sole expense and risk of Lessee, for a period not to exceed 180 days. During such storage period Lessee shall maintain insurance on such item of Equipment in accordance with the provisions of this Lease. Equipment, if Lessee fails to return an item of Equipment in accordance with the foregoing, Lessor will hold over with respect to such item of Equipment at the Basic Rent specified therefore, prorated to a per diem, for each day that Lessee fails to return such item of Equipment.

Page 3 of 5 of Master Lease Agreement dated 1/16/98 between Fansteel, Inc dba ***
and LCA A Division of Associates Commercial (Lessor) which includes, without limitation, an item of Equipment with the following serial
number *** Fansteel California Drop Forge

825847 Rev 12/94

Received Time May 4 2:31PM

ORIGINAL FOR ASSOCIATES

Lessee's Initials

MAY-04-1998 11:40 FROM LCA LOS ANGELES

TO

918476890307 P.04

4.11 Insurance

(a) **Required Casualty Insurance Coverage.** Lessee agrees that it shall at all times until the end of the Term of this Lease and during any storage period and at its own cost and expense keep each item of Equipment insured against loss by fire and perils covered under an extended coverage endorsement, and against such other risks of physical loss as are customarily insured against by companies owning property of similar character and engaged in a business similar to that engaged in by Lessee at not less than the higher of (i) the fair market replacement value of such item of Equipment or (ii) the then applicable Casualty Value of such item of equipment. All such insurance shall cover the interest of Lessor and Lessee in the Equipment and shall provide that losses, if any, in respect of the Equipment shall be payable to Lessee and Lessor so their respective interests may appear, under a long form loss payable clause.

(b) **Required Liability Insurance Coverage.** Lessee agrees that it shall at all times until the end of the Term of this Lease and during any storage period and at its own cost and expense maintain bodily injury liability and property damage liability insurance with respect to the Equipment, in amounts approved by Lessor. All such insurance shall protect Lessor and Lessee in respect of risks arising out of the conditions of maintenance, use, ownership or operation of the Equipment, and shall designate such parties as named insured thereunder.

(c) **Nature of Coverage Settlement.** Each policy under this Section 4.11 shall provide (i) that the insurer shall give Lessor thirty days prior written notice before cancellation or any alteration thereof would be effective as to Lessor, and (ii) that any amounts otherwise payable under the policy to Lessor shall be so payable irrespective of any misrepresentation by Lessee in acquiring or maintaining the policy. Upon receipt of notification from the applicable insurer of any alteration of any such policy Lessee shall promptly notify Lessor. Lessee shall furnish Lessor with certificates of Lessee acknowledging Lessee's compliance with the insurance requirements hereunder.

4.12 Ownership. Lessee acknowledges and agrees that Lessee has not, and by execution hereof does not and will not have or obtain, any title to any item of Equipment, nor any property right or interest, legal or equitable, therein, except solely as lessee hereunder and subject to the terms hereof.

Article 5 – Renewal Options and Purchase Options

Lessee shall have the option to renew this Lease as to the Equipment covered by an Equipment Schedule, and to purchase the Equipment covered by an Equipment Schedule, if provided for in the applicable Equipment Schedule and only upon the terms and conditions set forth therein. If no such option is included in an Equipment Schedule, then Lessee shall have no option to renew this Lease as to the Equipment covered thereby, or to purchase or otherwise acquire title to or ownership of the Equipment covered thereby, and shall have only the right to use the same under and subject to the terms and conditions of this Lease.

Article 6 – Default and Remedies**6.1 Events of Default.** The occurrence of any of the following shall constitute an "Event of Default" hereunder:

(a) Lessor fails to receive in immediately available funds all or any portion of any installment of Rent or any other payment on or before the date such sum becomes due and payable hereunder;

(b) Lessee breaches any representation or warranty made in, or in connection with, this Lease, or if any information in any report, document, certificate, financial statement or other statement furnished to Lessor pursuant to the provisions of this Lease, is false, inaccurate, incomplete or misleading in any material respect as of the date on which the same was made;

(c) Lessee shall fail or refuse to duly observe or perform any other covenant, condition or agreement made by it hereunder or under any other agreement between Lessor and Lessee, and such failure or refusal continues without remedy for a period of 5 days after written notice thereof to Lessee;

(d) Lessee commits an Event of Default under any other Lease (consisting of another Equipment Schedule and the terms and conditions of this Lease) or any other agreement entered into with Lessor;

(e) Lessee ceases to do business as a going concern, becomes insolvent, makes an assignment for the benefit of creditors, admits attached,

(f) a petition in bankruptcy or for an arrangement, reorganization, composition, liquidation, dissolution or similar relief is filed by or against Lessee under any present or future statute, law or regulation, and if such a petition is filed against Lessee, it is not dismissed within 60 days;

(g) a trustee or receiver is appointed for Lessee or for any substantial part of its property; or

(h) there shall be a material change in the management, ownership or control of Lessee.

6.2 Remedies. When any Event of Default has occurred and is continuing Lessor may in its sole discretion elect, to the extent permitted by and subject to compliance with any mandatory requirements of applicable law then in effect, to:

(a) Proceed by appropriate court action or actions either at law or in equity, to enforce performance by Lessee of the applicable covenants and terms of this Lease or to recover damages for the breach thereof;

(b) with or without notice to Lessee, terminate this Lease and/or Lessee's rights of possession hereunder as to any one or more of the items of Equipment, whereupon all right, title and interest of Lessee to or in the use of such items of Equipment shall terminate, and Lessor may, directly or by its agent, enter upon the premises of Lessee or other premises where such item of Equipment may be located and take possession thereof (Lessee hereby indemnifying and holding Lessor harmless from liability for any damages occasioned by such taking of possession), or may, at Lessor's election, require Lessee at Lessee's expense to return such items of Equipment promptly to Lessor in the manner and condition required by, and otherwise in accordance with all provisions of, Section 4.10;

(c) in the event of any such termination with respect to any item of Equipment, Lessor shall have the right, but shall not be obligated, to sell such Equipment, either alone or in parcels, in such a manner as Lessor may determine, or otherwise dispose of, or hold, use, operate, lease to others or keep idle such Equipment as Lessor in its sole discretion may determine;

(d) in the event of any such termination with respect to any item of Equipment and whether or not Lessor shall have exercised or theretofore paid by Lessee, (i) Lessor shall be entitled to retain Rights and additional sums in respect of such Equipment as of the date of termination, and (ii) Lessor may recover forthwith from Lessee as liquidated damages for the loss of a bargain, but not as a penalty, whichever of the following amounts Lessor in its sole discretion shall elect: (x) an amount equal to the excess, if any, of the Casuality Value of the item of Equipment involved in such termination as of the Back Rent Date next preceding the date of termination over the Fair Market Sales Value (as herein defined) of such Equipment as of the date of the termination, or (y) an amount equal to the present value of all Basic Rent which would otherwise have accrued hereunder on account of the Equipment involved in such termination from the date of termination to the end of the Term of this Lease for each item of Equipment over the then present value of the aggregate Fair Rental Value (as herein defined) of such item of Equipment for the balance of such Term, such present value to be computed in each case on the basis of a 6% per annum discount factor from the respective dates upon which such rents would have been payable hereunder had the Lease not been terminated. The "Fair Market Sales Value" of an item of Equipment shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing buyer-user (other than a buyer currently in possession) and an informed and willing seller under no compulsion to sell. The "Fair Rental Value" of an item of Equipment shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease;

Page 3 of 5 of Master Lease Agreement dated 1/16/97 between _____ and _____ (Lessor) which includes, without limitation, an item of Equipment with the following serial number: _____.

Fansteel, Inc dba ***

Lessor's initials

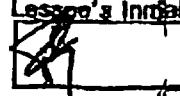
***Fansteel California Drop Forge

625847 Rev 12/94

Received Time May 4

ORIGINAL FOR ASSOCIATES

2:31PM



MAY-04-1998 11 41 FROM LCA LOS ANGELES

TO 918476890307 P.05

(e) in the event Lessor, pursuant to paragraph (c) above, shall have sold any item of Equipment, then in lieu of exercising its rights under Section 8.2(d) above, (i) Lessor shall be entitled to retain all Rents and additional sums theretofore paid by Lessee or received by Lessor, including any such sum in its possession which, had this Lease not been declared in default, would otherwise be payable to Lessor hereunder on account of such Equipment, (ii) Lessor may recover from Lessee all Rents and additional sums accrued and unpaid under any of the terms hereof on account of such Equipment as of the date of termination, and (iii) Lessor may recover from Lessee as liquidated damages for the loss of a bargain, but not as a penalty, an amount equal to the excess, if any, of the Casualty Value of such Equipment, computed as of the Basic Rent Date next preceding such date of termination, over the net proceeds of such sale; and

(f) in addition to the foregoing, Lessor shall be entitled to recover from Lessee any and all damages which Lessor shall sustain by reason of the occurrence of any such Event of Default or other breach of this Lease, together with reasonable attorneys' fees and such reasonable expenses as shall be incurred in the seizure, rental, storage or sale of such Equipment or in the enforcement of any right of privilege hereunder in any consultation or action in connection therewith.

6.3 Cumulative Nature of Remedies. No remedy referred to in this Article 6 is intended to be exclusive, but shall be cumulative and in addition to any other remedy available to Lessor at law or in equity, and the exercise or failure by Lessor to exercise any one or more of such remedies shall not preclude the simultaneous or later exercise by Lessor of any or all of such remedies. No express or implied waiver by Lessor of any Event of Default shall in any way be, or be construed to be, a waiver of any future or subsequent Event of Default. To the extent permitted by applicable law, Lessee hereby waives any rights now or hereafter conferred by statute or otherwise which may require Lessor to sell, lease or otherwise use any item of Equipment in mitigation of Lessor's damages as set forth in this Article or which may otherwise limit or modify any of Lessor's rights and remedies in this Article.

6.4 Determination of Fair Rental and Fair Market Sales Values. For purposes of this Article 6 the "Fair Rental Value" or the "Fair Market Sales Value" of any item of Equipment shall be determined by a qualified independent appraiser selected by Lessor and reasonably satisfactory to Lessee, with the expenses and fees of any appraiser to be borne by Lessee. Notwithstanding the foregoing provisions, if for any reason Lessee does not promptly upon written demand of Lessor pay such expenses and fees, then such Fair Rental Value or Fair Market Sales Value, as the case may be, shall be determined solely by Lessor in accordance with the definition thereof contained in Section 8.2(d).

Article 7 – Lessee's Representations and Warranties

7.1 Representations and Warranties. Lessee represents and warrants that: (a) if Lessee is a corporation, Lessee is and shall at all times hereafter be duly organized and validly existing in good standing under the laws of the state of its incorporation and has duly authorized the execution, delivery and performance of this Lease; (b) this Lease has been duly and validly executed and delivered by Lessee and constitutes and will constitute the valid and binding obligation of Lessee and is and will be enforceable in accordance with its terms; (c) the execution, delivery and performance of this Lease by Lessee will not violate any law or other governmental requirement or, if Lessee is a corporation, Lessee's corporate charter or by-laws; nor will it constitute a default under any agreement, instrument or document to which Lessee is now or hereafter a party or by which Lessee is now or will hereafter be bound; (d) all financial statements and information which have been or may hereafter be submitted to Lessor have been and will be complete, true and correct and have been and will be prepared in accordance with generally accepted accounting principles; (e) there has been no material adverse change in the financial condition of Lessee since the last submission of such financial information to Lessor; (f) the Equipment is being leased by Lessee solely for business or commercial purposes, and (g) no approval or consent of any regulatory body, including any state, federal or local government is necessary in connection with the execution of this Lease, or, if any such approval or consent is required, the same has been obtained by Lessee. Lessee agrees to deliver to Lessor, at any time or times hereafter such documents, including, without limitation, certified resolutions and legal opinions, as Lessor may reasonably request to demonstrate Lessee's compliance with the foregoing. Each of the above warranties shall be continuing and shall be deemed remade concurrently with the execution by Lessee of each Equipment Schedule.

Article 8 – Miscellaneous

8.1 Performance of Lessee's Obligations. If Lessee shall fail to make any payment or perform any act required by this Lease, Lessor may, but shall not be obligated to make such payment or perform such act for the account of and at the expense of Lessee without waiving or releasing any obligation or Event of Default. Lessee hereby indemnifies and shall pay to Lessor, upon demand, all payments so made by Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred in connection therewith.

8.2 Assignment by Lessor. Lessor may, without notice to Lessee, sell, transfer, grant a security interest in or assign part or all of its right, title and interest in and to this Lease, one or more items of Equipment, the Rent or any other sums due or to become due by Lessee hereunder, to one or more Assignees. In the event of an assignment of this Lease, (a) such assignment shall not relieve the original Lessor from its duties and obligations hereunder and shall not be construed to be an assumption by the Assignee of such obligations, (b) upon notice from Lessor, Lessee shall make all payments of Rent and other amounts due under the assigned Lease directly to the Assignee identified in such notice; (c) Lessee's obligations hereunder shall not be subject to any reduction, abatement, defense, set-off, counterclaim or recoupment for any reason whatsoever; and (d) Lessee shall not, after obtaining knowledge of any such assignment, consent to any modification of the assigned Lease without the consent of any Assignee of which Lessee has notice. Reference to Lessor throughout this Lease shall be deemed to include any Assignee provided, however, that in no event shall any assignee have any duties or obligations hereunder, except the obligation so long as no Event of Default has occurred and is continuing and the Assignee continues to receive all sums assigned hereunder, to permit Lessee to possess, use, and quietly enjoy the Equipment, according to the terms hereof.

8.3 Financial and Other Information. Lessee shall furnish to Lessor (a) upon request, within 45 days after the end of each fiscal quarter of Lessee during the Term hereof, a statement of profit and loss and of surplus of Lessee for the quarter then ended and a balance sheet of Lessee as of the end of such quarter, all in reasonable detail and certified by its principal financial officer; and (b) within 120 days after the end of each fiscal year of Lessee during such time, a statement of profit and loss and of surplus of Lessee for such fiscal year-end and a balance sheet of Lessee at the end of such year, all in reasonable detail and certified by a reputable firm of independent public accountants of recognized national standing. Lessee shall furnish to Lessor such other information about the condition and affairs of Lessee and about the Equipment as Lessor may from time to time reasonably request.

8.4 Lessor's Right of Inspection. Lessee agrees to permit Lessor (or such persons as Lessor may designate) to visit and inspect the Equipment and to examine the records or books of account of Lessee relating thereto, at at such reasonable times as Lessor may reasonably request.

8.5 Communications. Any notice required or permitted hereunder shall be in writing (with a copy to any Assignee) and shall be sent by registered or certified mail, or a receipted delivery service, to the address set forth herein and to the attention of the party executing this Lease or such other address or parties as designated by prop/ pos/note.

8.6 Headings. Section headings are inserted for convenience only and shall not affect any interpretation of this Lease. Each reference herein to "the Lease", "This Agreement", "heren", "hereof", "hereby", "hereto", "hereunder" and words of similar import refer to this Lease as a whole (including the Master Lease Agreement, any supplements, addenda and riders thereto to the extent applicable and the Equipment Schedule and Certificate of Acceptance on which the leased Equipment is described) and not to any particular section or subdivision hereof.

8.7 Severability. Any provision of this Lease which is prohibited by, or is invalid, unlawful or unenforceable under any applicable law of any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, invalidity, unlawfulness or unenforceability without invalidating the remaining provisions hereof; provided, however, that where the provisions of any such applicable law may be waived, they hereby are waived by Lessee to the full extent permitted by law to the end that this Lease shall be deemed to be a valid and binding agreement in accordance with its terms.

Page 4 of 5 of Master Lease Agreement dated / / between _____ and _____ (Lessor)

Feestel, Inc dba FAF (Lessee)
LCA A Division of Associates Commercial
Number: _____
Pansteel California Drop Forge

026847 Rev. 12/94

Received Time May 4 2:31PM FINAL FOR ASSOCIATES



Aug-22-2002 08:50am From-CitiCapital

+972652134

T-925 P 008/022 F-231

MAY-24-1998 11 43 FROM

9184765552387 P.B6

8.8 Survival of Representations, Warranties, and Covenants. All representations, warranties, indemnitees and covenants of Lessor contained in the Lease or any other document or certificate delivered pursuant hereto or thereto shall continue in full force and effect and shall survive notwithstanding the full payment of all amounts due hereunder or the expiration or definite termination of the Lease.

8.9 Entire Agreement and Modifications. This Master Lease Agreement (including any supplements, addenda and riders) and the Equipment Schedule(s) describing the Equipment and referencing the Master Lease Agreement contain the entire agreement between Lessor and Lessee with respect to the Equipment and any modification or waiver of the provisions hereof shall not be effective unless the same is in writing and signed by Lessor and Lessee. In the event any conflict exists between the terms hereof and any provisions contained in an Equipment Schedule, the provisions of the Equipment Schedule shall govern with respect to the Equipment described therein.

8.10 Further Assurances. Lessor, at its own expense, shall do, execute, acknowledge and deliver all and every such further act, deed, conveyance, transfer and assignment as Lessor may reasonably require in order to protect the right, title and interest of Lessor hereunder.

Without limiting the foregoing, Lessee agrees, at its own expense, to file or cause to be filed this Lease and each Equipment Schedule (and/or a financing statement or similar notice thereof) if and to the extent permitted or required by applicable law in such places offices as may be deemed necessary or appropriate by Lessor in order to protect the rights of Lessor and to the items of Equipment.

If permitted by law, Lessee agrees that a carbon, photographic or other reproduction of the Lease may be filed as a financing statement.

8.11 POWER OF ATTORNEY AND FINANCING STATEMENT. LESSEE HEREBY APPOINTS LESSOR OR ANY OFFICER, EMPLOYEE OR DESIGNEE OF LESSOR OR ANY ASSIGNEE OF LESSOR, OR ANY DESIGNEE OF SUCH ASSIGNEE AS LESSEE'S ATTORNEY-IN-FACT TO, IN LESSOR'S OR LESSOR'S NAME, (A) PREPARE, EXECUTE AND SUBMIT ANY NOTICE OR PROOF OF LOSS IN ORDER TO REALIZE THE BENEFITS OF ANY INSURANCE POLICY INSURING THE EQUIPMENT; (B) PREPARE, EXECUTE AND FILE ANY INSTRUMENT WHICH, IN LESSOR'S OPINION, IS NECESSARY TO PERFECT AND/OR GIVE PUBLIC NOTICE OF THE INTERESTS OF LESSOR IN THE EQUIPMENT; AND (C) ENDORSE LESSOR'S NAME ON ANY REMAINING REPRESENTING PROCEEDS OF ANY INSURANCE RELATING TO THE EQUIPMENT OR THE PROCEEDS OF THE EQUIPMENT (WHETHER OR NOT THE SAME IS A DEFAULT HEREUNDER). THE POWER so provided shall be limited and irrevocable acting as an irrevocable attorney-in-fact under power so granted.

8.12 Governing Law. The Lease shall be deemed to have been made under, and shall be governed by and construed in accordance with, the laws of the state set forth herein as a part of Lessor's address, in all respects, including matters of construction, validity and performance, provided, however, that the parties shall be entitled to all rights conferred by any applicable federal statute, rule or regulation.

8.13 Binding Effect. This Lease shall be binding upon and shall inure to the benefit of the respective successors and permitted assigns of Lessor and Lessee.

LESSOR AND LESSEE HAVE CAUSED THIS Master Lease Agreement to be executed as of 4/08/98.

LESSEE, Matthew J. Morgan

Forced, Inc. dba
Foothills California Drop Forge

By Matthew J. Morgan

Title Credit Manager

1000 Albermarle Avenue

CA

90012

Lease No. 531-6949

ASSOCIATES LEASING, INC. LESSOR

By Matthew J. Morgan

Title Credit Manager

10100 Thousand Blvd., Suite 316

Santa Fe Springs, CA 90670

Page 5 of 5 of Master Lease Agreement dated 1/1/98 between Foothills, Inc. dba Foothills (Lessor) which includes without limitation, an item of Equipment, and the following items:
and number 825947 Rev 12/94
**Foothills California Drop Forge

Received Time May 4 2 1998 FOR ASSOCIATES



**PURCHASE OPTION EQUIPMENT LEASE SCHEDULE
NO. 000**

**Pursuant To
MASTER LEASE AGREEMENT NO. 531-6949 (the "LEASE")
Between
ASSOCIATES LEASING, INC. ("Lessor")
And
THE UNDERSIGNED LESSEE ("Lessee")**

Lessor hereby agrees to lease to Lessee and Lessee hereby agrees to lease from Lessor the items of Equipment described below and on any supplemental schedule which is identified as constituting a part hereof (collectively the "Equipment" and individually, an "Item of Equipment"), under and pursuant to the Lease and the additional terms and conditions set forth below and on the reverse side hereof. Words and phrases not otherwise defined herein shall have the meanings assigned thereto in the Lease.

1. Description of Equipment. Listed below is a description of the items of Equipment to be leased pursuant to the Lease and the Equipment Schedule, the Lessor's Cost thereof and the Total Lessor's Cost of the Equipment.

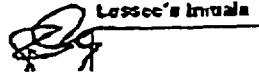
One (1) Ingersoll-Rand Air Compressor model IRP5000 25 CFM. One (1) Ingersoll-Rand Refrigerated air Dryer model TM1800 5CFM One (1) Ingersoll-Rand 42.54 MCF/day Drier model IRDA-5 One (1) Receiver 2780 Gallon Vert 165 PSI	LESSOR'S COST	
	Equipment Total Cost \$	<u>145,406.00</u>
	Shipping & Handling Cost \$	<u>0.00</u>
	Installation Cost \$	<u>0.00</u>
	Sales Tax (if applicable)	<u>0.00</u>
		TOTAL COST \$ <u>145,406.00</u>
LOCATION OF EQUIPMENT: 1033 Alhambra Avenue Los Angeles CA 90012 SELLER: US Equipment Co., Inc 1510 West Venice Blvd. Los Angeles CA 90005 LESSEE: Fansteel, Inc. dba Fansteel California Drop Forge 1033 Alhambra Avenue Los Angeles CA 90012 Los Angeles	A. ORIGINAL TERM <u>60</u> MONTHS B. RENTAL PAYMENTS <u>\$ 2,991.00</u> EACH PAYMENTS OF	
	C. ADVANCE RENTAL PAYMENTS: <input checked="" type="checkbox"/> FIRST RENTAL AND LAST <u>60</u> RENTAL(S) PLUS APPLICABLE TAXES OR <input type="checkbox"/> NONE	
	D. INTERIM RENT: <u>120</u> PER DAY PAYABLE UPON DELIVERY OF THE EQUIPMENT.	
	E. PAYMENT SCHEDULE: THE ADVANCE RENTAL PAYMENT, IF ANY, IS PAYABLE UPON DELIVERY OF THE LEASE APPLICATION TO LESSOR. THE REMAINING RENTALS ARE PAYABLE:	
	<input checked="" type="checkbox"/> MONTHLY <input checked="" type="checkbox"/> ALL PAYMENTS PLUS USE TAX	
	F. VALUE RATE: <u>0.00</u>	
	G. DELIVERY DATE: ON OR BEFORE _____	
	H. PURCHASE OPTION: <u>6 101.00</u>	
	I. SECURITY DEPOSIT \$ <u>0.00</u>	
	<i>*Thirty days from signed Delivery & Acceptance.</i>	

2. Original Term. The term of the Lease for each item of Equipment is as set forth above commencing on the Delivery Date for such item of Equipment.

3. Basic Rent. For the Original Term or any portion thereof for the Equipment, Lessee agrees to pay to Lessor aggregate rentals equal to the sum of all rent payments (including advance rentals) specified above ("Basic Rent") in accordance with the payment schedule specified above.

Page 1 of 2 of Equipment Schedule dated 1/16/98 between Fansteel, Inc. dba (Lessor) which includes without limitation, an item of Equipment with the following serial number _____ (Lessee)

625648 1/95

Received Time Apr 21. 1:05PM
ORIGINAL FOR ASSOCIATES

 Lessee's initials

Aug-22-2002 08:51am From-CitiCapital

APR-21-08 13 14 FROM LCA DIV. OF ASSOCIATES

+8726521234

T-826 P-010/022 F-231

ID: 3108032019

PAGE 8/8

4. **Carrying Value.** The Carrying Value for each item of Equipment during the Original Term of the Lease shall be all Rents accrued and unpaid plus the net present value of all remaining Basic Rents which would have otherwise been payable hereunder discounted at 8% per annum from multiplying Lessor's Cost for such item of Equipment by the Value Rate set forth above.

5. **Installation Location.** All items of Equipment covered by this Equipment Schedule will be kept at the location indicated above.

6. **Expiration Date.** The Expiration Date for each item of Equipment covered by this Equipment Schedule is the last day of the Original Term for such item of Equipment.

7. **Cancellation of Lease.** The Equipment covered by this Equipment Schedule must have a Delivery Date on or before the date set forth in F on the front side hereof otherwise Lessor may cancel this obligation to lease such Equipment to Lessee.

8. **Purchase Options.** Provided no Event of Default has occurred and is continuing, Lessee have the right to purchase all, but no less than all, of the items of Equipment covered by this Equipment Schedule, at a price equal to the amount set forth on the front side hereof under PURCHASE OPTION plus applicable taxes if any. Lessee shall give Lessor written notice of such election at least 90 days prior to the end of the Original Term against delivery of a bill of sale transferring and assigning to Lessee all right, title and interest of Lessor in and to the items of Equipment so purchased and containing a warranty against liens claimed by, through or under Lessor. Any such sale shall be on an "as is", "where is" basis without representation or warranty, express or implied, as to the condition of such items of Equipment or any other matters.

Dated 8/14/08

Accepted on:

LESSEE Fansteel Inc. dba

ASSOCIATES LEASING, INC. (Lessor)

Fansteel California Drop Forge

By _____

Title _____

By _____

Title _____

Page 2 of 2 of Equipment Schedule dated 8/14/08 between Fansteel, Inc. dba *** (Lessor) and LCA A Division of Associates Corporation (Lessee) serial number ***Pansteel California Drop Forge

625848 1/35

Received Time Apr 21. 4:05PM
ORIGINAL FOR ASSOCIATES

Lessee's Initials

Aug-22-2002 09:51am From-CitiCapital
MAY-04-1998 11:44 FROM LCA LOS ANGELES

+9726521234

T-925 P.011/022 F-231

TO

918476890387 P 09



Page 1 of 1 pages

SCHEDULE A

Attached to and made a part of a(n) Master Lease Agreement (Name of document such as Security Agreement) dated 1/16/98
between Fenestrel, Inc. d/b/a Fenestrel California Drop Forge ("Buyer") and LCA A Division of Associates Commercial Corporation ("Seller").

(Describe property fully, including year if appropriate, make, model, kind of unit, serial number and any other pertinent information.)

631-8949-000

One (1) Ingersoll-Rand Air Compressor model WPE400-2S S/N

One (1) Ingersoll-Rand Refrigerated Air Dryer model TM1900 S/N

One (1) Ingersoll-Rand NLM Module model NLM-5

One (1) Receiver 2180 Gallon Vert 165 PSIG

together with all present and future attachments, accessories, replacement parts, repairs, additions, and all proceeds

Buyer's Signature:

Aug-22-2002 08:51am From-CitiCapital

MAY-04-1998 11:43 FROM LCA LOS ANGELES

+9726521234

TO:

T-925 P.012/022 F-231

918476890307 P 07

RENTAL PAYMENT ADJUSTMENT ADDENDUM

TO EQUIPMENT LEASE AGREEMENT

BETWEEN

LCA A Division of Associates Commercial Corporation, as Lessor and

Fansteel, Inc. dba Fansteel California Drop Forge, as Lessee

Dated December 14, 1998,

ADJUSTMENT CLAUSE: Base rental payments have been calculated using a Lease Rate Factor of 60 @ .02057 times equipment cost. This factor is based on a comparable 5 year U.S. Treasury Note Yield of 5.48% as published on December 1, 1997. The Lease Rate Factor and Base Rental payments are fixed for a period of thirty (30) days from December 24, 1997. Lessee agrees that, after this thirty (30) day period, (until the day of funding), the Lease Rate Factor will be tied to the greater of: (a) any increase in the aforementioned comparable term Treasury Note yield, or (b) any increase in the U.S. Prime rate as published in the Wall Street Journal. The final Lease Rate Factor and rental payments will be fixed on the day of funding for the full term.

Agreed to this 16th day of January, 1998.

Lessee: Fansteel, Inc. dba Fansteel California Drop Forge

By: 

Title: General Manager

By: 

Title: _____

9810561365



FINANCING STATEMENT - FOLLOW INSTRUCTIONS CAREFULLY
 This Financing Statement is presented for filing pursuant to the Uniform Commercial Code and will remain effective, with certain exceptions, for 5 years from date of filing.

A NAME & TEL # OR CONTACT AT FILER (optional) B FILING OFFICE ACCT # (optional)

Phone (800) 331-3282 Fax (818) 809-2527

C RETURN COPY TO (Name and Mailing Address)

Data Filing Services
P O Box 275
Van Nuys, CA 91408-0239

92177 Associates
1392383-40-1

FILED
SACRAMENTO, CA
APR 14, 1998 RT 0800

BILL JONES
SECRETARY OF STATE

D OPTIONAL DESIGNATION (if applicable) E LESSOR/LESSEE F CONSIGNOR/CONSIGNEE G NON UCC FILING

1 DEBTOR'S EXACT FULL LEGAL NAME - Insert only one debtor name (1a or 1b) FILED WITH

California

1a ENTITY'S NAME
Fansteel, Inc

OR

1b INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

1c MAILING ADDRESS
1033 Alhambra Avenue CITY
Los Angeles STATE
CA COUNTRY
90012 POSTAL CODE

1d SS OR TAX ID # OPTIONAL ADD NL INFO RE ENTITY DEBTOR 1e TYPE OF ENTITY 1f ENTITY'S STATE OR COUNTRY OF ORGANIZATION 1g ENTITY'S ORGANIZATIONAL ID # if any

NONE

2 ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - Insert only one debtor name (2a or 2b)

2a ENTITY'S NAME
Fansteel California Drop Forge

OR

2b INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

2c MAILING ADDRESS
1033 Alhambra Avenue CITY
Los Angeles STATE
CA COUNTRY
90012 POSTAL CODE

2d SS OR TAX ID # OPTIONAL ADD NL INFO RE ENTITY DEBTOR 2e TYPE OF ENTITY 2f ENTITY'S STATE OR COUNTRY OF ORGANIZATION 2g ENTITY'S ORGANIZATIONAL ID # if any

NONE

3 SECURED PARTY'S (ORIGINAL S/P OR ITS TOTAL ASSIGNEE) EXACT FULL LEGAL NAME - Insert only one secured party name (3a or 3b)

3a ENTITY'S NAME
LCA ADivision of Associates Commercial Corporation

OR

3b INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

3c MAILING ADDRESS
10100 Pioneer Blvd
Ste 315 CITY
Santa Fe Springs STATE
CA COUNTRY
90670 POSTAL CODE

4 This FINANCING STATEMENT covers the following types or items of property

One (1) Ingersoll-Rand Air Compressor model HPE400-2SOne (1) Ingersoll-Rand Refrigerated Air Dryer model TM1900One (1) Ingersoll-Rand NLM Module model NLM-5One (1) Receiver 2180 Gallon Vert 155 PSI Together with all present and future attachments, accessories, replacement parts, repairs, additions, and all proceeds 531-8949-000

DOCUMENTATION

MAY 04 1998

5 CHECK The FINANCING STATEMENT is signed by the Secured Party instead of the Debtor to perfect a security interest
 BOX (a) in collateral already subject to a security interest in another jurisdiction when it was brought into this state or when the
 (if applicable) debtor's location was changed to this state or (b) in accordance with other statutory provisions (additional data may be required)

Filed in Florida (check one)
 Documentary Documentary stamp
 stamp less paid stamp not applicable

6 REQUIRED SIGNATURE(S)

Fansteel, Inc

ATTORNEY-IN-FACT

Signing for Both All

The FINANCING STATEMENT is to be Noted (or recorded) in the REAL ESTATE RECORDS
 (or recorded)

(if applicable)

Check to REQUEST SEARCH/CERTIFICATE(S) ON DEBTOR(S)
 (OPTIONAL SEE)
 (ADDITIONAL SEE)

All Debtors Debtor 1 Debtor 2

(2) ACKNOWLEDGMENT COPY - NATIONAL FINANCING STATEMENT (FORM UCCN) (TRANS) (REV 12/18/95) PROTECTED BY COPYRIGHT 1995 THE F.D.I.C. P.O. BOX 275
 VAN NUYS, CA 91408-0275 Tel (818) 809-2527

SCHEDULE TO MASTER AGREEMENT
LEASE AGREEMENT NO. 2023-54-06
REVISION NO. 2023-54-06

WHEN SIGNED BY BOTH PARTIES, THIS SCHEDULE TO MASTER LEASE AGREEMENT NO. 2023-54-06
MADE BELOW AND THE LEASER NAMED BELOW SHALL BE EFFECTIVE.

7116 SW FALCON ST 204
PORT ORFORD,
OR 97465-3120
Phone: (541) 469-2120

FULL NAME OF EQUIPMENT SUPPLIER
("MASTER AGREEMENT") BETWEEN THE LIAIS

Name: MANIFOLD WASHINGTON MANUFACTURING INC
Business or Organization:
Address: 801 E 7TH ST
City State Zip: WATERLOO, IA 50221
Phone: (515) 633-1148

Name: CITICAPITAL EQUIPMENT SERVICES INC
Address: 109 N BROADMONT RD
City State Zip: COLUMBIA, SC 29203
Contact: TM ROLLS

QTY	EQUIPMENT DESCRIPTION
ONE (1)	NEW TCM LIPT TRUCK MODEL PC81A, Together with all attachments, accessories and accesories SIN: <u>A74R00722</u>

The purchase option for this Schedule is indicated by a check (X) in the box next to the applicable paragraph.

FAIR MARKET VALUE PURCHASE OPTION: If no event of default exists under this Schedule, Lessee will have the option at the end of the initial term or any renewal term to purchase all or part of the Equipment that is the subject of this Schedule at fair market value, in place and use as reasonably determined by Lessor. Lessee will purchase or return the Equipment in compliance with the terms of the Master Agreement and this Schedule. If Lessee does not agree with Lessor's determination of the Equipment's fair market value, the fair market value will be determined by Lessor's expenses by an independent appraiser selected by Lessor. Upon payment of the purchase option price, Lessor shall transfer its interest in such Equipment to Lessee AS-IS, WHERE IS without any representation or warranty whatsoever and this Schedule will terminate.

- STATED PURCHASE OPTION:** If no event of default exists under this Schedule, Lessee will have the option at the end of the initial term or any renewal term to purchase all (but not less than all) of the Equipment that is the subject of this Schedule for \$1.00. Lessee will purchase or return the Equipment in compliance with the terms of the Master Agreement and this Schedule. Upon payment of the purchase option price, Lessor shall transfer its interest in such Equipment to Lessee AS-IS, WHERE IS without any representation or warranty whatsoever and this Schedule will terminate.
If Stated Purchase Option is \$1.00, Section 10.2 of the Master Agreement is inapplicable.

CHECK HERE IF MAINTENANCE IS APPLICABLE TO THIS SCHEDULE, IN WHICH CASE THE FOLLOWING PROVISION SHALL APPLY:

MAINTENANCE: Lessee agrees to pay the monthly payments under this Schedule which shall include charges (the "charges") for maintenance services (the "Services") to be furnished by Supplier to Lessee for use with the Equipment. Lessor is selecting the Charges as an administrative convenience to Lessee and the Supplier. Lessee agrees that Lessor is not a manufacturer or supplier of the Services and Lessee will look only to Supplier for performance of the Services. Lessee further agrees that its obligations under the Master Agreement and this Schedule are unconditional notwithstanding any breach by Supplier or its obligations to provide the Services.

REQUESTED LOCATION (if different from above) 159 CARRIZONA INDUSTRIAL PARK, GRANADA, SC 29133

THE TERMS AND CONDITIONS OF THIS SCHEDULE AND THE MASTER AGREEMENT ARE BINDING UPON THE PARTIES. ALL TERMS AND CONDITIONS OF THE MASTER AGREEMENT ARE INCORPORATED HEREIN AND THIS SCHEDULE CONSTITUTES A SEPARATE LEASE, UNLESS OTHERWISE DEFINED HEREIN, ALL DEFINED TERMS SHALL HAVE THE MEANINGS PROVIDED IN THE MASTER AGREEMENT.

THIS SCHEDULE IS NON-CANCELABLE.

LEASER ACKNOWLEDGES THAT AT THE TIME IT EXECUTED THIS AGREEMENT, IT RETAINED A COPY.

AUTHORIZED SIGNATURE OF LESSEE: MANIFOLD WASHINGTON INC
X Tracy Simmons
PRINT OR TYPE NAME/TITLE: Citic Financial Officer

AUTHORIZED SIGNATURE OF LESSEE: CITICORP VENDOR FINANCE, INC.
X Tracy Simmons
PRINT OR TYPE NAME/TITLE: Citic Financial Officer

NET SendFAXto: From:IT To:TIM ROLLINS

Date: 8/24/01 Time: 8:50:32 AM

Page 8 of 8

citicapital7105 SW Fir Loop Ste 204
Tigard, OR 97223
Phone (800) 828-2610
Fax (800) 828-7430**Certificate of Delivery and Acceptance****EQUIPMENT SCHEDULE NUMBER:** 700031766

In compliance with the terms, conditions and provisions of the Master Lease Agreement Number 700031766 by and between the undersigned ("Lessee") and Citicorp Vendor Finance, Inc ("Lessor").

Equipment Description (Quantity, Make, Model, Serial Number):

ONE (1) NEW TCM LIFT TRUCK MODEL FCB15A, TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES, AND ACCESSIONS. S/N A74R00722.

The undersigned does hereby acknowledge the complete and satisfactory delivery and installation of the Equipment leased from Lessor. The undersigned does further acknowledge that Lessor has made no warranties expressed or implied regarding the Equipment; that our obligations to Lessor or its assignees as set forth in the aforementioned lease are free of any and all claims, counter claims, defenses, or set-offs.

Lessee: Fansteel Washington Manufacturing IncBy (X) Buckley FaullinTitle (Warehouse mgmt)Date: 6-27-01

100-2000

UCC FINANCING STATEMENT
FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER (optional)
 Phone: (800) 331-3262 Fax: (813) 662-4141

B. SEND ACKNOWLEDGEMENT TO: (Name and Address)

UCC Direct Services
 83031 COPELCO4
 P.O. Box 29071
 Glendale, CA 91209-9071

File with: Iowa

FILED
 SECRETARY OF STATE
 IOWA

2001 SEP 14 P 4:30

P318881

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - Insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a. ORGANIZATION'S NAME
FANSTEEL WASHINGTON MANUFACTURING INC

OR	1b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
1c. MAILING ADDRESS	800 E 7TH ST	CITY WASHINGTON	STATE IA	POSTAL CODE 52353
1d. TAX ID #: BSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	1e. TYPE OF ORGANIZATION Corporation	1f. JURISDICTION OF ORGANIZATION IA	1g. ORGANIZATIONAL ID #, IF ANY <input checked="" type="checkbox"/> NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - Insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a. ORGANIZATION'S NAME

OR	2b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
2c. MAILING ADDRESS		CITY	STATE	POSTAL CODE
2d. TAX ID #: BSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	2e. TYPE OF ORGANIZATION	2f. JURISDICTION OF ORGANIZATION	2g. ORGANIZATIONAL ID #, IF ANY <input type="checkbox"/> NONE

3. SECURED PARTY'S NAME (or NAME OF TOTAL ASSIGNEE OF ASSIGNOR IF/P) - Insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME
CITICORP VENDOR FINANCE, INC.

OR	3b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
3c. MAILING ADDRESS	7185 SW FIR LOOP, SUITE 204	CITY TIGARD	STATE OR	POSTAL CODE 97223

4. THIS FINANCING STATEMENT covers the following collateral

All Equipment now or hereafter leased by Lessor to Lessee, and all accessions, additions, replacements and substitutions thereto and therefor and all proceeds (including insurance proceeds) thereof, as more specifically identified in the lease documentation on file at the offices of Lessor. LSE
 200039788

SCAN DOCUMENT

Lease # 700039766

E.I.L. Type Code ND

Submitted by: Vickie Tipton
 (Print Name)



P318881

5. ALTERNATIVE DESIGNATION (if applicable) LESSEELESSOR CONSIGNEECONSIGNOR BAILEEBAILOR SELLERBUYER AG. LIEN NON-UCC FILING
 6. THIS FINANCING STATEMENT is to be filed (or record) (or recorded) in the REAL ESTATE RECORDS AT THE ADDRESS: ATM CORNER DR. IN BIRMINGHAM ADDITIONAL FEES: 100.00 All Debtors Debtor 1 Debtor 2

7. OPTIONAL FILER REFERENCE DATA

File with: Iowa

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In Re: :
FANSTEEL, INC., et al. : CHAPTER 11
Debtors : Case No. 02-10109 (JJF)
: Jointly Administered

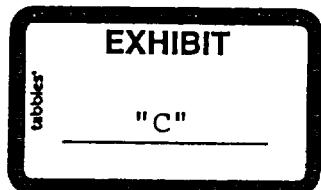
**ORDER FOR RELIEF FROM THE AUTOMATIC STAY
PURSUANT TO 11 U.S.C. §362(d)(1),(2)**

Upon the Motion of CitiCapital Commercial Corporation f/k/a Associates Commercial Corporation, by and through its LCA Division and Citicorp Vendor Finance, Inc., under Bankruptcy Code section 362(d) for relief from the automatic stay as to certain personal property as hereinafter set forth and for cause shown,

IT IS on this _____ day of _____, 2002, ORDERED that the automatic stay of Bankruptcy Code section 362(a) is vacated to permit the Movant to pursue the Movant's rights in the Equipment described in its Motion for Relief from Automatic Stay or, Alternatively, for Adequate Protection, and in the manner provided by any applicable contract documents and non-bankruptcy law.

The Movant shall serve this Order on the debtor, the Trustee, the Official Unsecured Creditors Committee and any other party who entered an appearance on the motion.

HONORABLE JOSEPH J. FARNAN, JR.
United States District Court Judge



**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In Re: :
FANSTEEL, INC., et al. : CHAPTER 11
Debtors : Case No. 02-10109 (JJF)

: Jointly Administered

Hearing Date:TBD (Only if objections are timely filed)
Objection Deadline: October 25, 2002 at 4:00 p.m. E.S.T.

**NOTICE OF MOTION FOR RELIEF FROM AUTOMATIC STAY
OR, ALTERNATIVELY, FOR ADEQUATE PROTECTION**

TO: SEE ATTACHED SERVICE LIST

CitiCapital Commercial Corporation f/k/a Associates Commercial Corporation, by and through its LCA Division and Citicorp Vendor Finance, Inc. has filed a Motion for Relief from Stay which seeks the following relief: *relief from the automatic stay as to the Equipment described therein or, alternatively, pursuant to §361 of the Bankruptcy Code requiring Debtor to make periodic cash payments as adequate protection.* A true and correct copy of the motion is attached.

RESPONSES OR OBJECTIONS, IF ANY, TO THE RELIEF REQUESTED IN THE MOTION MUST BE IN WRITING, FILED WITH THE BANKRUPTCY COURT, AND SERVED UPON BOTH OF THE UNDERSIGNED COUNSEL FOR THE MOVANT SO AS TO BE RECEIVED BY 4:00 P.M., EASTERN TIME, ON OCTOBER 25, 2002.

IF ANY OBJECTIONS ARE TIMELY FILED AND SERVED, A HEARING ON THE MOTION MAY BE HELD AT A DATE AND TIME TO BE DETERMINED, BEFORE THE HONORABLE JOSEPH J. FARNAN, JR., OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE. THE HEARING WILL BE HELD AT THE J.

CALEB BOGGS FEDERAL BUILDING, 844 N. KING STREET, WILMINGTON,
DELAWARE 19801. ONLY TIMELY FILED AND RECEIVED WRITTEN OBJECTIONS
WILL BE CONSIDERED BY THE COURT AT THE HEARING.

IF NO OBJECTIONS ARE TIMELY FILED AND SERVED IN ACCORDANCE
WITH THIS NOTICE, THE COURT MAY GRANT THE RELIEF REQUESTED IN THE
MOTION WITHOUT FURTHER NOTICE OR HEARING.

Dated: October 4, 2002
Wilmington, DE

FARR, BURKE, GAMBACORTA & WRIGHT
A Professional Corporation

By: /s/ John R. Weaver, Jr.
JOHN R. WEAVER, JR. (No. 911)
831 North Tatnall Street, Suite 200
P.O. Box 510
Wilmington, Delaware 19899
(302) 428-1077

SERGIO I. SCUTERI (SS 0535)
211 Benigno Boulevard, Suite 201
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(856) 931-1030

Attorneys for CitiCapital Commercial Corporation
f/k/a Associates Commercial Corporation, by and
through its LCA Division and
CitiCorp Vendor Finance, Inc.

**FANSTEEL, INC.
2002 SERVICE LIST**

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Secretary of Treasury
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Ms. Leah Tremper
License Fee & Accounts Receivable Branch
Office of the Chief Financial Officer
US Nuclear Regulatory Commission
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Rockville, MD 20852-2738

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U.S. Nuclear Regulatory Commission
Region IV, Harris Tower
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**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In Re: :
FANSTEEL, INC., et al. : CHAPTER 11
Debtors : Case No. 02-10109 (JJF)
: Jointly Administered

**ORDER FOR RELIEF FROM THE AUTOMATIC STAY
PURSUANT TO 11 U.S.C. §362(d)(1),(2)**

Upon the Motion of CitiCapital Commercial Corporation f/k/a Associates Commercial Corporation, by and through its LCA Division and Citicorp Vendor Finance, Inc., under Bankruptcy Code section 362(d) for relief from the automatic stay as to certain personal property as hereinafter set forth and for cause shown,

IT IS on this ____ day of _____, 2002, ORDERED that the automatic stay of Bankruptcy Code section 362(a) is vacated to permit the Movant to pursue the Movant's rights in the Equipment described in its Motion for Relief from Automatic Stay or, Alternatively, for Adequate Protection, and in the manner provided by any applicable contract documents and non-bankruptcy law.

The Movant shall serve this Order on the debtor, the Trustee, the Official Unsecured Creditors Committee and any other party who entered an appearance on the motion.

HONORABLE JOSEPH J. FARNAN, JR.
United States District Court Judge